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Kasich tax proposal would skew tax system even more in favor of Ohio's affluent

Tax cuts would average more than \$11,000 a year for the top 1 percent

The Kasich administration proposal to cut income taxes and expand sales and other taxes would produce big tax cuts for Ohio's most affluent residents while increasing taxes on lower- and moderate-income families. That is the main result of an analysis by the Institute on Taxation and Economic Policy for Policy Matters Ohio that was released today.

ITEP found that the proposal would provide an \$11,906 annual tax cut, on average, to taxpayers in the top 1 percent of the income spectrum, who made more than \$388,000 in 2014. The bottom three-fifths of taxpayers – those making less than \$58,000 a year – on average would see increases in state and local taxes. Those in the bottom fifth, making less than \$20,000 last year, would see an increase of \$116 on average. Even excluding changes in tobacco taxes in Gov. Kasich's proposal, taxpayers making less than \$37,000 a year – those in the bottom two-fifths of the income spectrum – on average would see no benefit from the plan.

"Income-tax cuts will flow heavily to the most affluent, further increasing inequality in Ohio while doing little for our economy," said Zach Schiller, Policy Matters Ohio research director. "By contrast, the increase in the sales-tax rate and most of the other proposed tax increases will fall more heavily on lower- and middle-income Ohioans."

Schiller noted that some of the Kasich administration's tax proposals, such as the boost in the cigarette tax and the severance tax, serve worthwhile public policy goals. "However, these measures and others to modernize Ohio's tax system should be considered on their own, not to pay for unneeded income-tax rate cuts and business-income tax exemption," Schiller said. "We should maintain and bolster the state's progressive income tax, instead of weakening it as the Kasich administration would do. That would both allow us to invest in needed public services and rebalance the tax system in favor of most Ohioans."

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Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute with offices in Cleveland and Columbus. The Institute on Taxation and Economic Policy (ITEP) is a non-profit, non-partisan research organization based in Washington, D.C. that works on federal, state, and local tax policy issues. ITEP measures the distributional consequences of federal and state tax laws and proposed changes in them, both nationally and on a state-by-state basis.